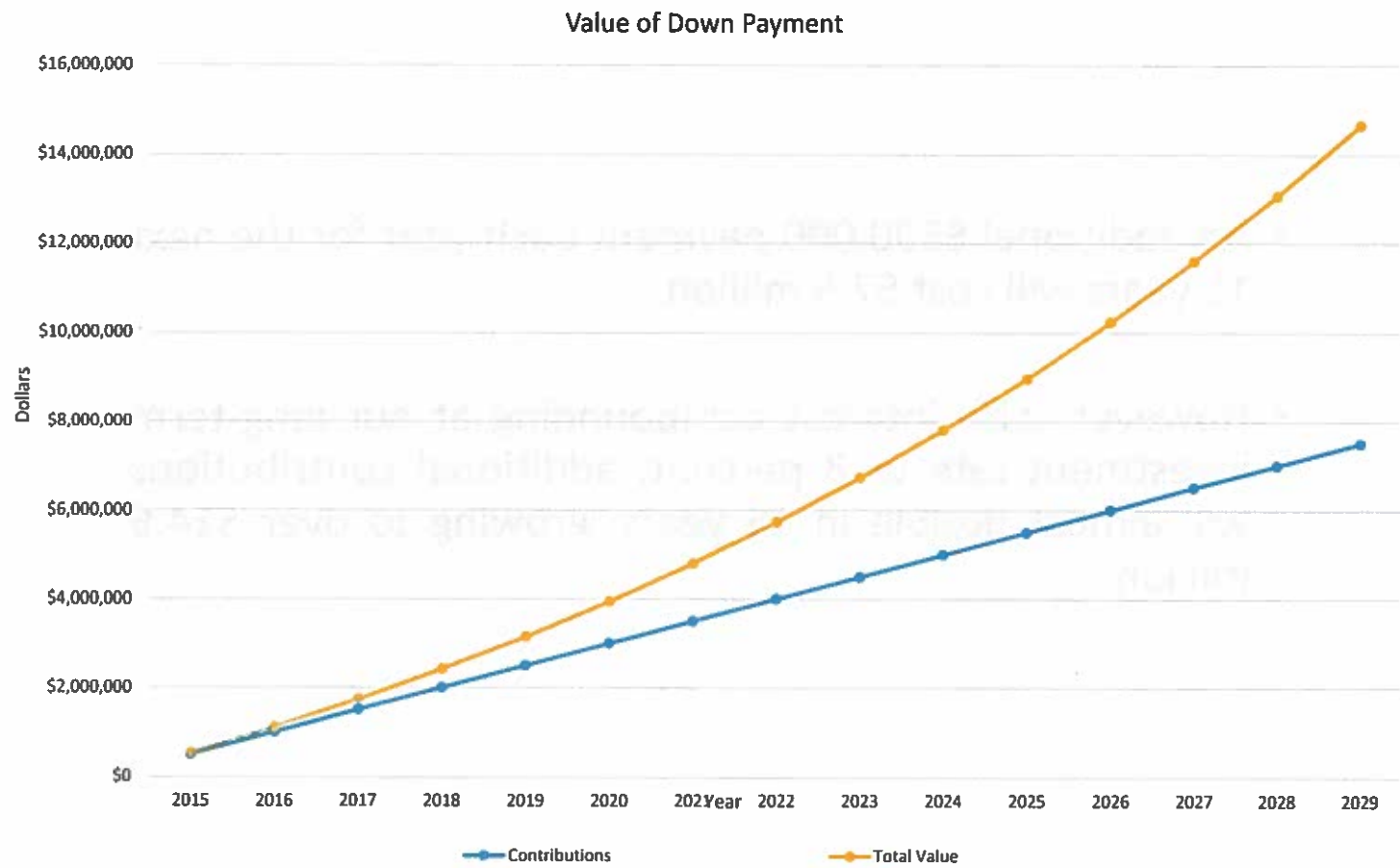




City Manager James R. Freed
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Taking action today creates more freedom and prosperity #ForTheNextGeneration





- An additional \$500,000 payment each year for the next 15 years will cost \$7.5 million
- However, with interest compounding at our long-term investment rate of 8 percent, additional contributions will almost double in 15 years, growing to over \$14.6 million

- As part of the budget process, a clause was added to authorize the City Manager to make up to an additional \$500,000 annual payment on our unfunded liabilities, thereby making a “Down Payment” on these liabilities.
- This down payment will help to reduce the liabilities owed for pension and OPEB costs in a more expedient manner.

Reduced the cost of General Fund Government by \$3.0 million
in the last thirty-six months.

WAGE ADJUSTMENTS

Employee Group	Agreement (7/1/07 – 6/30/11)	Agreement (7/1/11 – 6/30/14)	Agreement (7/1/14 – 6/30/17)
Utility Workers	2007 – 0% 2008 – 2% 2009 – 0% 2010 – 2%	2011 – 0% 2012 – 0% 2013 – 0%	2014 – 1% SP 2015 – 1% SP 2016 – 2%
Supervisory Group – Utility Workers	New Contract in 2010- 2% (Prior to new contract these employees were non union)	2011 – 0% 2012 – 0% 2013 – 0%	2014 – 1% SP 2015 – 1% SP 2016 – 2%
Police Patrol Police Command Police Clerical Fire Fighters	2007 – 0% 2008 – 2% 2009 – 2% 2010 – 2%	2011 – 0% 2012 – 0% 2013 – 0%	2014 – 1% SP 2015 – 1% SP 2016 – 2%
Non Union	2007 – 0% 2008 – 2% 2009 – 0% 2010 – 2%	2011 – 0% 2012 – 0% 2013 – 0%	2014 – 1% SP 2015 – 1% SP 2016 – 2%

NEW HIRES – HCSP & PENSION

- All New Hires will participate in a HCSP (Healthcare Savings Plan) as an alternative to receiving retiree healthcare benefits. Implementation began in 2008.
- All New Hires are enrolled in a Hybrid Pension Plan which includes a defined benefit portion and a defined contribution portion. Lower cost to the City.
- A Hybrid Pension Plan became available for Public Safety employees after the 2011 contract negotiations. The new plan was adopted for Public Safety employees in 2014.

EMPLOYEE PENSION CONTRIBUTIONS

Police Patrol, Police Command and Fire Fighters

- As of 7-1-10 the Employee Pension Contribution 5% of all wages
- Additional 3% of all wages as of 7-1-11
- Additional 1% of all wages as of 7-1-12
- Additional 1% of all wages as of 7-1-13

Current pension contribution is 10% of all wages paid for these bargaining units

Police Command Officers promoted prior to 1-1-09 pension contribution is 11.71%

EMPLOYEE PENSION CONTRIBUTIONS

Non-Union, Utility Workers, Supervisory Group (Utility Workers) and Police Clerical Group

- As of 7-1-10 the Employee Pension Contribution 3% of all wages
- Additional 3% of all wages as of 7-1-11
- Additional 1% of all wages as of 7-1-12
- Additional 1% of all wages as of 7-1-13

Current pension contribution is 8% of all wages paid for these employees.

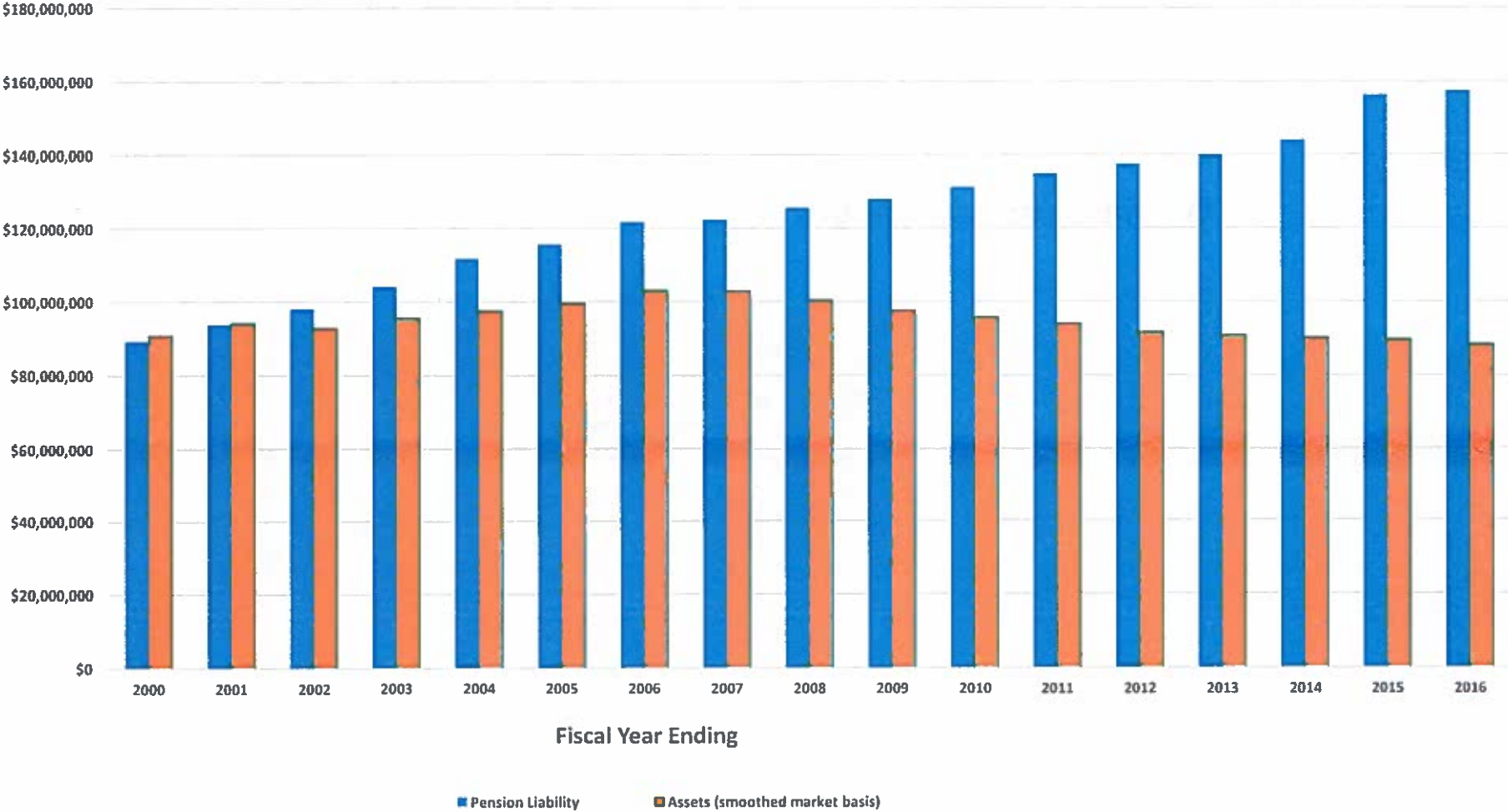
HEALTHCARE COVERAGE

Date	Plan	Level of Coverage
Prior to 1-1-98	Blue Managed Traditional / Master Medical	Most services covered at 100% or minimal co-pay Prescription co-pay \$2.00
1-1-98	Community Blue PPO – Plan 2	Deductible \$100/\$200 Co-pay 10%; Office Visit \$10 Prescription co-pay \$5.00
1-1-03	Community Blue PPO – Plan 3	Deductible \$250/\$500 Co-pay 20%; Office Visit \$10 Prescription co-pay \$10/\$20
7-1-08	Community Blue PPO – Self-Insured Plan	Deductible \$375/\$750 Co-pay 20%; Office Visit \$20 Prescription co-pay \$10/\$25/\$40
1-1-12	Community Blue PPO – Self-Insured Plan	Deductible \$500/\$1,000 Co-pay 20%; Office Visit \$25 Prescription co-pay \$10/\$30/\$45 Chiropractic co-pay \$10

We have created a partnership with our non-union and union employee groups in an effort to control Healthcare and Pension costs.

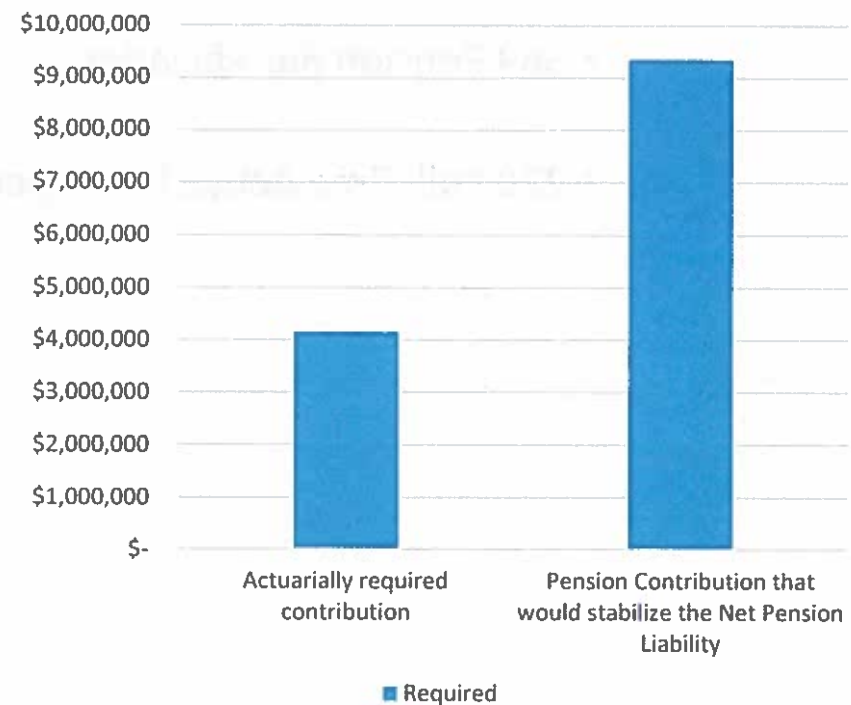
We have not sat idly by...

History of the Pension Plan Funding



Cost of Pension Benefits – FYE 6/30/16

Components of pension costs:	
Normal service costs	1,757,825
Pension administrative costs	174,267
Less employee contributions	<u>(1,138,153)</u>
Cost of current year benefits	793,939
Cost of previous years' underfunding:	
Interest on the NPL (~\$55 million @8.25%)	4,366,348
Amortization of investment & experience differences & changes in assumptions	<u>4,206,788</u>
Total cost of pensions	<u>9,367,075</u>
Required annual contribution	<u>4,151,466</u>



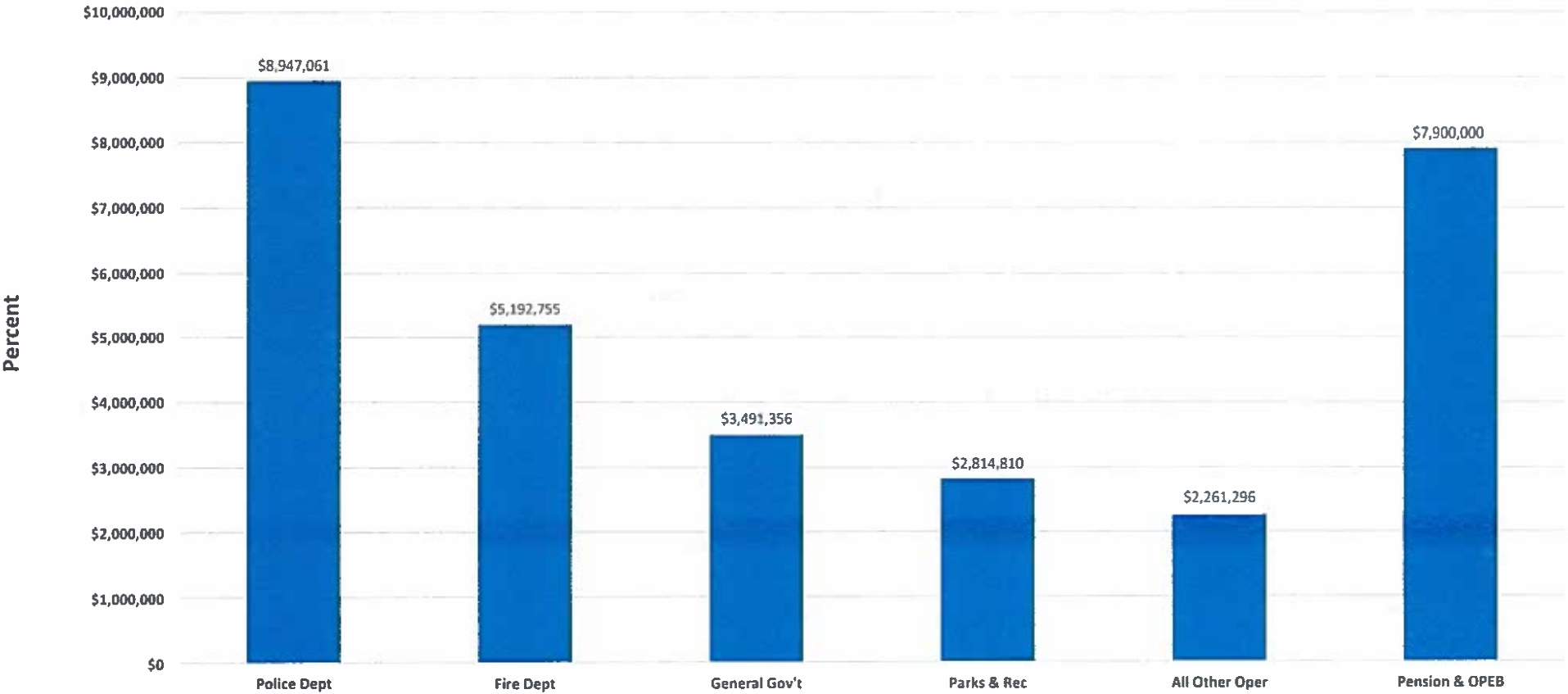
MERS Pension Census Data

- 369 Pension Beneficiaries
- 220 Full-Time Active Employees

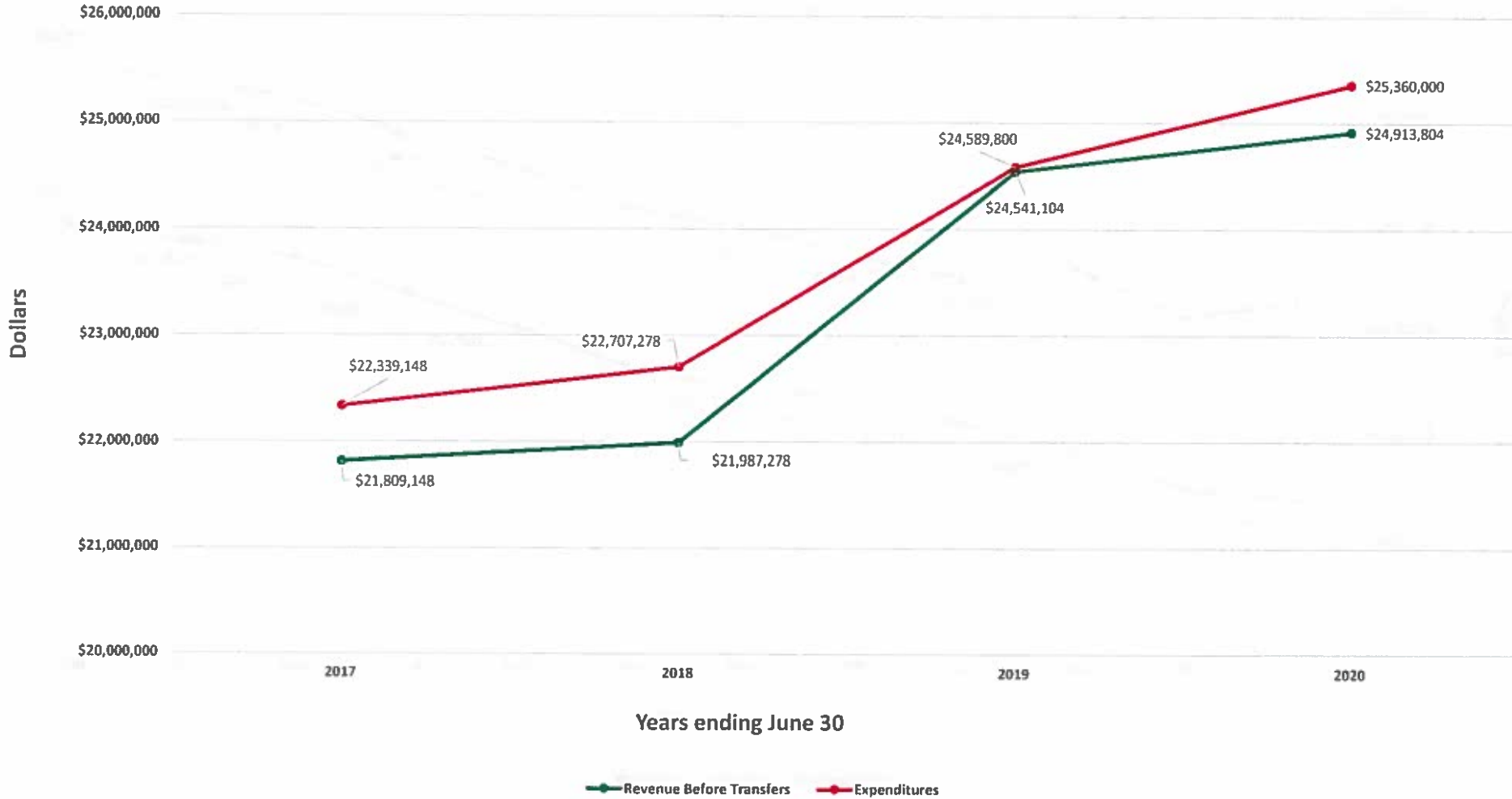
Summary of Costs

- For every \$1 we pay an employee there are \$.86 fringe costs
- Of that \$.86, \$.37 pays for the current employee fringe costs
- The other \$.49 pays for legacy costs.

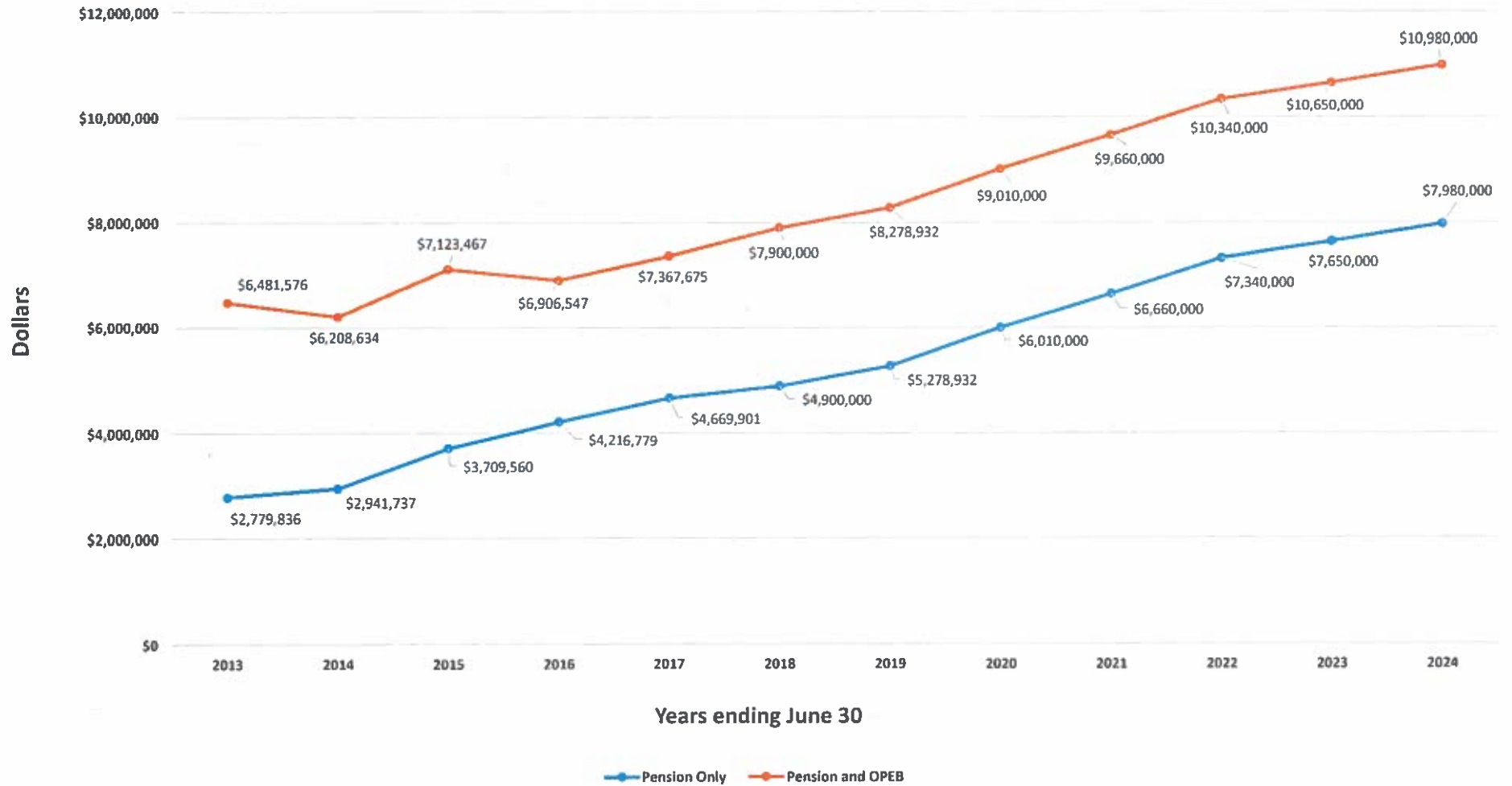
Comparison of General Fund Activities to Pension/OPEB



Current and Projected Future Budgets - General Fund



Projected Pension and OPEB Payments



Projected General Fund Total Revenue and Required Payments



Port Huron Unfunded Liabilities

- The City of Port Huron Pension is underfunded by \$69.1 million
- The annual contribution for 2017-18 will be approximately \$4.9 million, an increase of over 115% from eight years ago when it was \$2.25 million
- The City of Port Huron OPEB Fund (Retiree Healthcare) is underfunded by \$37.1 million
- The annual required contribution to the fund will be \$3.0 million
- A total unfunded liability of over \$106 million with annual payments of \$7.9 million

GENERAL FUND HIGHLIGHTS

- MERS completed an experience study in 2015 which determined what changes needed to be made to their actuarial assumptions in order to adequately fund pension funds of all of their participants, which includes the City of Port Huron
- The study has shown that three main changes needed to be made to ensure that municipalities have enough assets in their pension plan to provide for the benefits that are expected to be paid. These changes are:
 - Adjusting the mortality table because people are living longer
 - Lowering the assumed rate of return (net of all expenses) from 8 percent to 7.75 percent (Highly optimistic)
 - Requiring a shorter fixed amortization period for gains, losses and unfunded amounts. Since 2005, MERS has been gradually reducing the amortization period to help ensure that pension costs of current employees do not shift onto future generations
- The results of the experience study were applied to our 2015 valuation which became available during the summer of 2016. The resulting increases in our pension costs is substantial, profoundly affecting the City's budget for the next decade. Simply unsustainable



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